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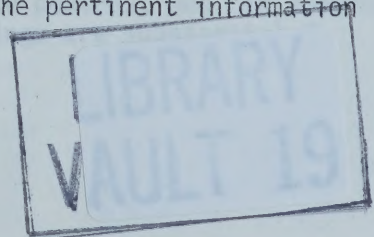
REPORT ON NO-FAULT INSURANCE PLANS

The National Association of Insurance Commissioners (N.A.I.C.), which is the American version of the Association of Superintendents of Insurance for the Provinces of Canada, is preparing an independent actuarial study "of the cost and price implication of first-party, no-fault auto insurance reform." N.A.I.C. will develop a computer model to help legislatures "price out" no-fault insurance alternatives. The N.A.I.C. study will be conducted by Milliman & Robertson and is scheduled for completion by March 1, 1973.

One of the actuaries for Milliman & Robertson is apparently involved in the computer model that was being developed. The actuary suggests that it would allow a government body to draft up a proposed no-fault plan setting out the limitations which they want to include. The plan could be fed into the computer and the computer would indicate the amount of saving or otherwise that would result from that particular plan. Such a computer model would be invaluable in assessing the merits of a no-fault insurance plan.

A number of Provinces, States and agencies were contacted respecting no-fault insurance. Most of the Provinces and States did not go into detail in their reply. They usually gave a short covering letter and enclosed various documents such as a question and answer pamphlet, magazine article, copy of the Act, etc. None of the replies set out any disadvantages concerning death and bodily injury no-fault plans.

The following is a condensed summary of the pertinent information submitted and gleaned from insurance publications.

Manitoba

Type of Plan

This is a government operated scheme known as "Autopac" and administered by the Manitoba Public Insurance Corporation.

The plan is a government monopoly for basic limitations, government and private insurers compete for excess. It is a modified no-fault plan.

Manitoba, Cont'd.

Advantages -

No information was given as to the Province's experience with its plan. The plan is a new one. There appear to be differing opinions as to whether insurance premiums have been reduced.

Saskatchewan

Type of Plan -

This plan is a government monopoly for basic limitations, government and private insurers compete for excess.

The Automobile Accident Insurance Act is a modified no-fault plan.

Advantages -

The following comments were submitted by K. W. Jordan, Executive Officer of the Saskatchewan Government Insurance Office.

"The Saskatchewan plan has been in effect for 26 years and has been accepted completely by the people of the Province. The main advantages of the plan are that every motor vehicle in the Province is insured at the lowest possible rate. Since the Saskatchewan plan has been in effect for 26 years, we do not have any valid figures which would indicate how much the plan has reduced premiums. Since no commission is paid to agents under the Automobile Accident Insurance Act and considering the economies associated with the one carrier concept and drive-in claims service centres, one can assume that the savings are substantial."

British Columbia

No information supplied.

Florida

Type of Plan -

This is a compulsory, modified, first-party, no-fault (Personal Injury) system. It was implemented on January 1, 1972.

Florida, Cont'd.

Advantages -

1. There was a compulsory premium reduction of 15% on the basic 10/20/5 liability rate upon implementation of the no-fault insurance at January 1, 1972.

Ten months later, on October 30, 1972, after a review of statistics by the Insurance Branch, a rate reduction was ordered of 11% for basic bodily injury coverage (10/20). The reasons given for the reduction were:

- A. A reduction in loss adjustment expenses.
 - B. Certain expenses when no-fault was implemented that will not occur again.
 - C. Previous increasing trends in bodily liability that are no longer permitted.
2. There was reduction in lawsuits between motorists where bodily injury was involved.
 3. Provided for prompt payments.
 4. Provided benefits to persons not previously compensated.

General Comments -

It should be noted that the foregoing reductions of 15% and 11% are not reductions in total insurance premiums, but reductions in only the portion of the premium that applies to bodily injury. From information on hand it appears that for a "typical" policy the reduction rate in total premium was 3.7% - from \$250.46 in 1971 to \$241.20 in 1972. Without no-fault, however, there would have been an increase in insurance rates.

The Florida Commissioner is considering a proposal that would limit underwriting profits of automobile insurance companies to 1%.

Massachusetts

Type of Plan -

This is a compulsory limited first-party no-fault system. "Compulsory Personal Injury Protection" law was effected January 1, 1971. "Property Protection Insurance" was effected January 1, 1972.

Advantages -

1. When introduced on January 1, 1971, there was a mandatory 15% cut in bodily injury premiums.
2. There was a 27.6% reduction in 1972 on bodily injury premiums and an order issued by the Commissioner of Insurance requiring insurance companies to refund another 27.6% out of 1971 profits.
3. Provided for prompt payments.
4. Reduced costs of settlement because of reduced litigation.
5. Number of claims have been reduced.
6. Claims payments have been reduced.

General Comments -

1. The insurance climate in Massachusetts before no-fault was unique. It had the highest claim record and highest automobile insurance rates in the United States.
2. Because of #1 above, the effect on insurance premiums due to the introduction of no-fault insurance in Massachusetts may not be followed in other States or Provinces.
3. In spite of the large reductions in the premium rates applicable to the bodily injury premium, there has been, overall, only a small reduction in total premium in this state because increases in property damage and collision premium rates have more than off-set bodily injury reductions. Without no-fault, however, there would have been an increase in insurance rates.

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Massachusetts, Cont'd.

4. While the "Compulsory Personal Injury Protection" law has been well received, there have been some complaints about the "Property Protection Insurance" which deals with property damage. For example, the public objected to the mandatory deductible of \$50.00 when they were not at fault. This is being amended to give the company paying for car damage a right to recover from the company insuring the person at fault. It is stated that this will be done without increasing costs.

New Jersey

Type of Plan -

This is a compulsory limited first-party no-fault system (Personal Injury) for private passenger cars. The system became effective January 1, 1973.

Advantages -

The Act which establishes the above provides for a mandatory 15% reduction in bodily injury rates. The Insurance Department of New Jersey feels the 15% reduction is "well justified by the expected effect of the tort exemption under which compensation for economic loss will be all that an injured person can obtain for slight injuries. We conducted a claims survey which indicated at least that much saving in loss cost."

Illinois

Type of Plan -

The Illinois no-fault law was found unconstitutional just prior to the effective date of January 1, 1972.

Connecticut

Type of Plan -

Compulsory limited, first-party, no-fault system, (Personal Injury) for private passenger vehicles. Effective January 1, 1973.

Advantages -

No experience to report as plan has not gone into effect.

Oregon

Type of Plan -

Limited first-party payments (Personal Injury) without regard to fault. Coverage mandatory in liability policies covering private passenger vehicles.

Advantages -

Legislation effective January 1, 1972. Have "had limited experience with the new legislation and haven't developed any credible statistical data regarding costs, bodily injury litigation, reduction, etc."

Delaware

Type of Plan -

Combination of compulsory first-party no-fault and third-party liability (personal injury, property damage).

Advantages -

Have received no reply. Have made a second request.

December, 1972

